

Date \_\_\_\_\_

## ROUTING AND TRANSMITTAL SLIP

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. <i>EO/DDA</i>	<i>R</i>	2 NOV 1983
2. <i>ADDA</i>	<i>Q</i>	2 NOV 1983
3. <i>EO/DDA</i>	<i>R</i>	2 NOV 1983
4. <span style="border: 1px solid black; display: inline-block; width: 150px; height: 30px; vertical-align: middle;"></span> <i>Pls send cy to QS</i>		
5. <span style="border: 1px solid black; display: inline-block; width: 150px; height: 30px; vertical-align: middle;"></span> <i>Done</i>		

Action	File	Note and Return
Approval	For Clearance	Per Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

**REMARKS**

*2- Do you think  would be interested in this?*

*Yes,*

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
	Phone No.

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**OPTIONAL FORM 41 (Rev. 7-76)**  
Prescribed by GSA  
FPMR (41 CFR) 101-11.206

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<b>TRANSMITTAL SLIP</b>		DATE 2 November 83
TO: Deputy Director f/Administration		
ROOM NO.	BUILDING	
REMARKS:		
<p>During my meeting with OPM yesterday, this was brought to my attention. See especially page 71.</p>		
FROM:		C/OGC/ALD
ROOM NO.	EXTENSION	
7C40	HDQS.	

FORM NO. 241  
1 FEB 55

REPLACES FORM 36-8  
WHICH MAY BE USED.

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98TH CONGRESS  
1st Session

HOUSE OF REPRESENTATIVES

REPORT No.  
98-427

DEPARTMENT OF DEFENSE APPROPRIATION  
BILL, 1984

DD/A Registry

83-4736

REPORT

OF THE

COMMITTEE ON APPROPRIATIONS

together with

ADDITIONAL VIEWS

[To accompany H.R. 4185]

DD/A REGISTRY  
FILE: 160-13



OCTOBER 20, 1983.—Committed to the Committee of the Whole House on  
the State of the Union and ordered to be printed

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WASHINGTON : 1983

83-4736

Energizer could have saved approximately the first year alone. The Committee believes that project would have been more beneficial than canceling. For another example, the Engineering Support Agency is achieving a 10-month payback in fuel savings in high ceilinged buildings.

The purpose of improving energy conservation and installing energy conservation systems of facilities operated and maintained by the Department of Defense. Any energy conservation program, whether in the manufacture, and reliable repair of the actual operation of such devices, the first-year energy cost savings at the installation cost of such devices, means the difference between the cost of an energy system for a 12-month payback period as a part of the operating such energy system for such energy conservation devices as

#### MAINTENANCE SAVINGS

The Department of Defense is requesting a reduction in maintenance projects. This is an increase over 1983 levels.

Industry has recovered somewhat from the economic downturn, the Department of Defense to experience significant savings in construction projects due to the reduction in military services, percentage below the Government estimate. The estimate for the Navy, 28 percent below the Government estimate for the Air Force, 12 percent below for the Air Force, the real property maintenance program for 1984 could be accomplished for less than is currently budgeted.

The Committee is recommending a reduction of 10 percent, to reflect this overall reduction. The Department of Defense to request to apply toward reducing its budget for a 15 percent increase. In addition, the Committee is considering sufficient progress in reducing the budget by \$26,100,000 for that purpose,

#### ADMINISTRATIVE VEHICLES

160,924 administrative vehicles in the Department of Defense. The military services have acknowledged that they should buy fewer vehicles when they should buy fewer maintenance dollars are easily available through the bureaucratic process of

identifying the necessary procurement funding. Moreover, at a time when nearly 20,000 vehicles are being leased, the average Air Force vehicle mileage is declining by 10 percent, and the Army average vehicle mileage is declining by 25 percent.

The Department of Defense is directed not to lease vehicles if outright purchase is more economical. Simply because O&M funds are available does not relieve the Department of Defense of the responsibility of pursuing the most economical method of acquisition. In fact, the availability of O&M funds should have no involvement whatsoever in the decision as to whether vehicles should be leased or purchased.

Through compliance with the Department of Defense's own lease vs. purchase economic analyses, the Committee believes \$4.7 million in savings can be deleted by discontinuing uneconomical leasing from the operation and maintenance accounts.

#### LEGISLATIVE LIAISON LIMITATION

The fiscal year 1984 budget request for legislative liaison activities is \$10 million. Since the budget, as submitted, includes no request for pay raise, and since virtually all of this request is for civilian or military personnel costs, the fiscal year 1984 request represents real growth of approximately 10 percent. The Committee has traditionally included a ceiling on the amount that could be spent for legislative liaison activities in order to insure that the Department of Defense complies with the prohibition against lobbying the Congress. As a result, a reduction of \$800,000 is recommended to the request. However, the limitation included in the bill is being set at \$9.5 million in order to allow sufficient room in the ceiling for civilian and military pay raises if later submitted by the President. The Committee continues to believe that appropriations liaison personnel should be co-located with the day-to-day operation of the various military services and OSD budget shops. No effort is to be undertaken to integrate (organizationally or physically) the appropriations liaison staffs with the less specialized and non-financially oriented legislative liaison staffs.

#### PUBLIC AFFAIRS LIMITATION

DOD is requesting an increase of \$2.6 million, or 8 percent above the fiscal year 1983 limitation of \$35.5 million for public affairs activities. The Committee is recommending that the increase be limited to inflation which will permit deletion of \$1.8 million in savings. In addition, the Committee is setting the annual limitation for public affairs activities at \$34.2 million in order to allow for civilian and military pay raises which the Congress may approve later if a supplemental is submitted by the President.

#### PERSONNEL AND INDUSTRIAL SECURITY PROGRAMS

According to a recently completed Committee investigative report, thousands of DOD civilian and industry employees and members of the Armed Forces have been granted security clearances even when questions of loyalty, reliability and trustworthiness were unresolved or when there existed more than sufficient

derogatory information available to warrant clearance denial. Individuals with documentable arrest and conviction records for safe burglary, kidnapping, child molestation, attempted robbery, grand theft, forgery and serious psychiatric disorders have been granted security clearances in spite of adverse information and competent advice to the contrary. The problem is particularly acute in the Navy. In the preceding 26 years prior to fiscal year 1981, the Navy denied a security clearance to a civilian employee in only one instance. Of 7,200 clearance actions reviewed by the Navy Civilian Personnel Center (NCPC) in fiscal year 1982, not a single security clearance was denied or revoked.

The Committee is also concerned that requests by DOD components for security clearances are rarely, if ever, subject to rigorous scrutiny through any formally established validation processes, a phenomenon promoting an unbridled growth in security clearance requests.

In the collateral clearance field the policy for requesting clearances is so permissive that, for all practical purposes, there exists no effective control over the number of individuals granted clearances. In some DOD components, officials are authorized as many clearances at the Secret and Top Secret level as are believed needed without recourse to independent validation, justification or oversight. Collateral "carve-out" contracts pertain to sensitive, advanced DOD projects most generally applicable to U.S. research and development (R&D) technology, operations or procurements. Security cognizance is maintained by the DOD component awarding the contract rather than by the Defense Investigative Service (DIS). Collateral "carve-outs", usually administered at the Secret level, are generally placed under "special access required" restrictions, and impose unique, sometimes peculiar, physical security measures. Program managers and contracting authorities believe, rightly or wrongly, their programs demand increased protection than afforded under the Defense Industrial Security Program (DISP).

Unlike the majority of sensitive compartmented information (SCI) contracts whose existence are known to DIS, collateral "carve-outs" are exceedingly difficult to detect, and when detected, are generally discovered by accident during the course of normal DIS security inspections. In 1981, DOD officials estimated there were approximately 900 collateral "carve-outs". Other sources believe the number may actually be in the thousands.

Security, most often cited as the basis for establishment of "carve-out" contracts, is not the only, or even perhaps the primary, consideration. "Carve-outs" are often sole source awards allowing program managers to escape the routine procurement bureaucracy, provide for a certain ease in contract administration and presumably reduce time expended in the procurement process. It is a strange anomaly that the creation of a "carve-out" contract may be accomplished by procurement activities who fail to consult with security officials during the procurement process. There is no obligation for them to do so. There is near unanimity among industry as well as some DOD officials that "carve-outs" afford less, sometimes considerably less, security than that available within the standard industrial security framework. The classification of most "carve-

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no warrant clearance denial. Individuals with criminal and conviction records for safe transportation, attempted robbery, grand larceny, and mental disorders have been granted clearance. Reverse information and competent background checks are particularly acute in the case of individuals prior to fiscal year 1981, the Navy civilian employee in only one instance was reviewed by the Navy Civilian Personnel Review Board in fiscal year 1982, not a single security clearance was granted.

That requests by DOD components are rarely, if ever, subject to rigorous background investigation and established validation processes, a rapid growth in security clearance has resulted. The policy for requesting clearances for all practical purposes, there exists a large number of individuals granted clearances, officials are authorized as many as Top Secret level as are believed to require independent validation, justification or review. Contracts pertain to sensitive, advisory, technology, operations or procurements. The policy is generally applicable to U.S. research and development by the DOD component awarded by the Defense Investigative Service. The policy is usually administered at the Secret level. The "special access required" restriction is sometimes peculiar, physical security and contracting authorities believe, that programs demand increased protection. The Defense Industrial Security Program (DIS) is a sensitive compartmented information program.

Information is known to DIS, collateral information is difficult to detect, and when detected, it is often during the course of normal operations. In 1981, DOD officials estimated there were over 100,000 "carve-outs". Other sources believe the number is in the thousands.

As the basis for establishment of the program, it is the only, or even perhaps the primary, source of information often sole source awards allowing the routine procurement bureaucracy, contract administration and presumption in the procurement process. It is a result of a "carve-out" contract may be activities who fail to consult with security clearance process. There is no obligation of near unanimity among industry as to "carve-outs" afford less, sometimes more, than that available within the standard process. The classification of most "carve-

out" contracts at the Secret level raises the question as to the legitimacy of the "carve-outs" especially when the personnel investigative standard for access is no greater than that required to obtain a DOD building pass.

The value of today's investigative product is also questioned in light of significant changes in investigative scope over the years. In June 1981, the Deputy Secretary of Defense approved implementation of an interview-oriented background investigation (IBI) in lieu of the standard BI. The new investigative concept, the basis of which is the interview of the applicant, is strongly supported by the Defense Investigative Service and other DOD officials who state the IBI generates "quality" information in the most economical fashion. Nevertheless, the Office of Personnel Management (OPM) believes the IBI fails to meet even the minimum investigative standard for competitive service civilian employees as prescribed in Executive Order 10450. While DOD acquiesced to OPM concerns with regard to competitive service civilian employees, the IBI remains the minimum investigative standard for access to Top Secret information for military and industrial personnel. There appears to be no rational basis for believing that less investigation needs to be undertaken for granting Top Secret clearances to military and industrial personnel (an IBI) than for civilian employees (a BI).

The Committee believes that immediate action is required by the Department of Defense to correct these longstanding and potentially damaging deficiencies in personnel and industrial security. The Committee is therefore directing that the Secretary of Defense:

(1) Come to an agreement with the Director of Central Intelligence and Director of the Office of Personnel Management as to what constitutes an adequate and cost-effective background investigation for military, civilian, and industry employees obtaining the various levels of security clearances.

(2) Review current policies to ensure that people with questionable backgrounds are not given clearances which permit access to sensitive information; if necessary, remove the General Counsel to an advisory role to prevent continuation of the current situation whereby that office grants clearances to individuals with questionable backgrounds to avoid the potential for increasing its own workload resulting from lawsuits from individuals denied clearance for access to sensitive information.

(3) Direct the Navy to centralize its adjudication authority based upon the successful centralization performed by both the Army and the Air Force.

(4) Reduce the proliferation of programs which are excluded from the central industrial security procedures; an immediate review should be undertaken which will identify all collateral "carve-outs" and bring all such exceptions back into the central industrial security procedures unless there is a specific case by case determination made by the Deputy Under Secretary of Defense.

tary of Defense for Policy that overriding national security considerations dictate otherwise.

(5) Review industrial security practices to ensure that unnecessarily elaborate and costly physical security is not being provided while insufficient attention is being paid to personnel security.

(6) Review the need to implement a quota system or industrial funding for the Defense Investigative Service to stabilize the case workload.

(7) Place some controls over approving requirements for security clearances to prevent the continued proliferation of unnecessary access to sensitive classified material.

The Committee expects periodic reports on implementation of the above guidance in a timely fashion.

#### AUDIO VISUAL SERVICES

In a letter dated April 25, 1983, the Secretary of Defense notified the military Services and the various defense agencies that he was reporting to OMB that "the estimates for audio visual products are to be held to the fiscal year 1982 levels." Since the amount included in the fiscal year 1984 budget request represents a substantial increase over the level to which the Secretary will hold military spending for audio visual services, the Committee is recommending a reduction of \$10 million to bring the budget request into line with the Secretary's stated spending goals and the fiscal year 1984 authorization.

#### MILITARY SEALIFT COMMAND CARGO RATES

As a result of increased competition on the North Atlantic route, the Military Sealift Command cargo rates for the six month period beginning April 1, 1983 dropped nearly 50 percent. The Committee applauds this great reduction and believes that substantial savings will continue to accrue. Consequently, a reduction totalling \$25 million is recommended to reflect the savings which were not projected in the original fiscal year 1984 budget request.

#### FEDERAL EMPLOYEES COMPENSATION FUND

The Department of Defense has budgeted a 33 percent increase in reimbursement to the Department of Labor for costs associated with workman's compensation payments for Department of Defense employees. The fiscal year 1984 request of \$286,300,000 is an increase of \$68,700,000 over the fiscal year 1983 level. Each year, the Committee has included a General Provision limiting increases in reimbursement to the Department of Labor to inflation only. The Committee took this action because of reports that management improvements were required in the Department of Labor but that little incentive existed since the costs were passed from the Department of Labor to each individual executive branch agency.

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